

**TAKAFUL EMARAT - INSURANCE
(PSC)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2017 (UNAUDITED)

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

INDEX	PAGES
Review report on interim condensed consolidated financial statement	1
Interim consolidated statement of financial position	2 - 3
Interim consolidated statement of comprehensive income	4 - 5
Interim consolidated statement of changes in equity	6
Interim consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial statement	8-18

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2017, and the related interim consolidated statements of comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statement of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

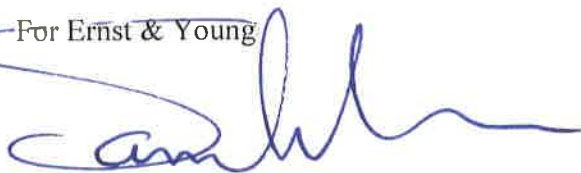
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other Matters

The interim condensed financial statements of the Company as of 30 June 2016 were reviewed by another auditor whose report dated 7 August 2016 expressed an unqualified conclusion on those interim condensed financial statements. Also, the financial statements as of 31 December 2016 were audited by another auditor whose report dated 7 February 2017 expressed an unqualified opinion on those financial statements.

For Ernst & Young



Ashraf Abu-Sharkh
Partner
Registration No. 690

31 July 2017

Dubai, United Arab Emirates

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (Unaudited)

	<i>Notes</i>	30 June 2017 AED	31 December 2016 AED (Audited)
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	3	109,455,577	176,811,393
Investments at fair value through profit or loss – individual life	5	71,853,551	55,969,153
Other investments at fair value through profit or loss	5	7,485,240	-
Takaful receivables and other assets		226,895,326	146,063,326
Retakaful contract assets	4	115,673,859	95,705,237
Investment properties		38,488,245	-
Deferred policy acquisition cost		48,269,170	43,499,624
TOTAL TAKAFUL OPERATIONS' ASSETS		618,120,968	518,048,733
SHAREHOLDERS' ASSETS			
Cash and bank balances	3	3,762,003	9,347,274
Investments at fair value through profit or loss	5	110,105,839	78,419,683
Takaful receivables and other assets		14,036,669	11,909,826
Deposit		31,000,000	23,000,000
Statutory deposit		4,000,000	4,000,000
Held to maturity investment		-	1,000,000
Investment properties		-	38,405,816
Property and equipment		2,332,029	2,471,395
Intangible assets		2,231,664	1,533,323
Receivable from policyholders		99,636,789	105,060,059
TOTAL SHAREHOLDERS' ASSETS		267,104,993	275,147,376
TOTAL ASSETS		885,225,961	793,196,109
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations liabilities			
Takaful and other payables		141,914,207	132,644,115
Takaful contract liabilities	4	424,725,878	337,539,349
Payable to shareholders		99,636,789	105,060,059
TOTAL TAKAFUL OPERATIONS' LIABILITIES		666,276,874	575,243,523
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS			
Deficit in policyholders' fund	16	(48,155,906)	(56,950,837)
Qard Hassan from shareholders	16	48,155,906	56,950,837
NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS		-	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		666,276,874	575,243,523

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2017 (Unaudited)

	<i>Notes</i>	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Shareholders' liabilities			
Takaful and other payables		60,503,543	54,402,453
Borrowings	8	23,520,000	19,845,000
Provision for employees' end of service benefits		2,518,743	1,743,000
TOTAL SHAREHOLDERS' LIABILITIES		86,542,286	75,990,453
SHAREHOLDERS' EQUITY			
Share capital	6	150,000,000	150,000,000
Statutory reserve		3,335,046	3,240,579
Accumulated losses		(20,928,245)	(11,278,446)
TOTAL SHAREHOLDERS' EQUITY		132,406,801	141,962,133
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		218,949,087	217,952,586
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		885,225,961	793,196,109


 Mohammad AlHawari
 Managing Director


 Wael Al Sharif
 Chief Executive Officer


 Adnan Sabaalish
 Financial Controller

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017 (Unaudited)

	Notes	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Attributable to policyholders:					
Gross contribution written	9	90,155,377	76,785,930	350,745,041	288,199,619
Changes in unearned contributions	9	69,448,423	39,006,188	(38,981,056)	(50,425,838)
Takaful contributions earned		159,603,800	115,792,118	311,763,985	237,773,781
Retakaful contributions	9	(31,316,319)	(24,541,697)	(94,639,365)	(71,236,411)
Change in unearned contributions	9	(12,251,297)	(3,769,242)	5,475,214	10,666,582
Retakaful contributions ceded		(43,567,616)	(28,310,939)	(89,164,151)	(60,569,829)
Net earned contributions		116,036,184	87,481,179	222,599,834	177,203,952
Gross claims incurred		(107,903,567)	(78,469,812)	(197,735,169)	(162,217,940)
Retakaful share of claims incurred		32,632,058	21,430,732	55,794,394	39,360,756
Net claims incurred		(75,271,509)	(57,039,080)	(141,940,775)	(122,857,184)
Allocation charges on life takaful policies		(4,885,955)	(6,831,982)	(10,409,955)	(13,620,003)
Change in reserves	10	(8,273,756)	(5,063,132)	(15,085,797)	(10,926,399)
Net change in fair value of policyholders Investment linked contracts	10	(1,100,491)	(837,708)	(1,795,501)	(158,510)
Net takaful income		26,504,473	17,709,277	53,367,806	29,641,856
Wakalah fees	11	(23,627,916)	(21,702,723)	(45,611,472)	(36,458,813)
Investment Income, net		564,626	165,086	1,038,597	165,086
Net surplus/ (deficit) from takaful operations		3,441,183	(3,828,360)	8,794,931	(6,651,871)

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017 (Unaudited)

		<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>Notes</i>	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Attributable to shareholders:					
Wakalah fees from policyholders	11	23,627,916	21,702,723	45,611,472	36,458,813
Investment income/ (loss), net		862,344	3,426,022	(774,654)	11,666,863
Allocation charges on life takaful policies		4,885,955	6,831,982	10,409,955	13,620,003
Other income		1,076,952	766,522	2,082,199	1,095,521
Commission incurred		(10,742,460)	(10,888,470)	(21,500,093)	(21,165,964)
General and administrative expenses		(22,898,394)	(15,272,268)	(43,679,142)	(28,978,253)
Recovery of / (provision for) Qard Hassan to policyholders' fund		3,441,183	(3,828,360)	8,794,931	(6,651,871)
Profit for the period attributable to shareholders		253,496	2,738,151	944,668	6,045,112
Basic and diluted profit per share	12	0.002	0.018	0.006	0.040
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		253,496	2,738,151	944,668	6,045,112

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2017 (Unaudited)

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2017 (Audited)	150,000,000	3,240,579	(11,278,446)	141,962,133
Total comprehensive income for the period	-	-	944,668	944,668
Cash dividend (Note 7)	-	-	(10,500,000)	(10,500,000)
Transfer to statutory reserve	-	94,467	(94,467)	-
Balance at 30 June 2017	<u>150,000,000</u>	<u>3,335,046</u>	<u>(20,928,245)</u>	<u>132,406,801</u>
Balance at 1 January 2016	150,000,000	1,739,597	(16,787,279)	134,952,318
Total comprehensive income for the period	-	-	6,045,112	6,045,112
Cash dividend paid (Note 7)	-	-	(8,000,000)	(8,000,000)
Balance at 30 June 2016	<u>150,000,000</u>	<u>1,739,597</u>	<u>(18,742,167)</u>	<u>132,997,430</u>

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 30 June 2017 (Unaudited)

		<i>Six months period ended 30 June</i>	
<i>Notes</i>		<i>2017</i>	<i>2016</i>
		<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES			
		944,668	6,045,112
	Profit for the period		
	Adjustments for:		
	Depreciation and amortisation of property and equipment and intangible assets	969,206	973,715
	Investment (loss)/income, net	(263,943)	(10,757,016)
	Provision for employees' end of service benefits	857,441	464,654
	Operating profit/ (loss) before working capital changes and payment of employee end of service benefits	2,507,372	(3,273,535)
	Employees' end of service benefits paid	(81,662)	(61,194)
	Operating profit/ (loss) before working capital changes	2,425,710	(3,334,729)
	Changes in operating assets and liabilities:		
	Changes in retakaful contract assets	(19,968,622)	(26,217,409)
	Changes in takaful receivables and other assets	(82,958,843)	(85,930,681)
	Changes in deferred policy acquisition cost	(4,769,546)	(6,625,239)
	Changes in takaful contract liabilities	87,186,529	110,238,481
	Changes in takaful and other payables	15,371,182	23,283,523
	Net cash (used in)/ from operating activities	(2,713,590)	11,413,946
INVESTING ACTIVITIES			
	Change in deposits maturing in more than three months	11,250,000	(9,000,000)
	Purchase of investments at fair value through profit or loss	(125,047,774)	(28,953,155)
	Proceeds from sale of investments at fair value through profit or loss	69,991,944	5,015,990
	Deposit	(8,000,000)	(23,000,000)
	Held to maturity investment	1,000,000	-
	Investment loss/ (income), net	263,943	-
	Purchase of intangible assets	(1,278,879)	-
	Purchase of property and equipment	(249,302)	(529,395)
	Addition to investments properties	(82,429)	-
	Net cash (used in) investing activities	(52,152,497)	(56,466,560)
FINANCING ACTIVITY			
	Dividend paid	(10,500,000)	(8,000,000)
	Borrowing	3,675,000	-
	Zakat	-	(641,600)
	Net cash used in financing activities	(6,825,000)	(8,641,600)
	DECREASE IN CASH AND CASH EQUIVALENTS	(61,691,087)	(53,694,214)
	Cash and cash equivalents at the beginning of the period	3 159,908,667	129,076,567
	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3 98,217,580	75,382,353

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

1 CORPORATE INFORMATION

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February, 2007, and is subject to the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

The Company carries out takaful insurance activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the Company.

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements were authorised for issue on 31 July 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

Interim reporting

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016.

Changes in accounting estimates

The accounting policies are consistent with those used in the previous year. The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016.

New standards, interpretations and amendments

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed consolidated financial statements. Annual Improvements 2012-2014 cycle which became effective from 1 January 2017 also did not have an impact on the financial position or performance of the Group during the period.

These interim condensed consolidated financial statements do not include all disclosures and should be read in conjunction with the financial statements for the year ended 31 December 2016. In addition, results for the six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>	
			2017	2016
Modern Tech Investment	Investment	United Arab Emirates	100%	-

Modern Tech Investment was establishment during the period ended 30 June 2017 for the purpose of holding investments.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2017.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Basis of consolidation (continued)

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 CASH AND CASH EQUIVALENTS

	<i>30 June 2017</i> <i>AED</i>		<i>31 December 2016</i> <i>AED</i> <i>(Audited)</i>	
	<i>Retakaful</i> <i>Operations</i> <i>AED</i>	<i>Shareholders'</i> <i>Operations</i> <i>AED</i>	<i>Retakaful</i> <i>Operations</i> <i>AED</i>	<i>Shareholders'</i> <i>Operations</i> <i>AED</i>
Cash and bank balances	12,205,577	3,762,003	83,061,393	9,347,274
Deposits	97,250,000	-	93,750,000	-
	<u>109,455,577</u>	<u>3,762,003</u>	<u>176,811,393</u>	<u>9,347,274</u>
Less: Deposits maturing in more than - three months	(15,000,000)	-	(26,250,000)	-
Total	<u><u>94,455,577</u></u>	<u><u>3,762,003</u></u>	<u><u>150,561,393</u></u>	<u><u>9,347,274</u></u>

The deposits carry profit rates ranging from 1.75% to 2.62% per annum with maturity dates ranging from 24 July 2017 to 14 December 2017.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Gross takaful contract liabilities		
Claims reported	78,056,796	63,477,889
Claims incurred but not reported	42,698,926	24,701,304
Unearned contributions	228,141,366	189,160,310
Mathematical reserves	3,975,239	4,230,693
Policyholders' investment linked contracts at fair value	71,853,551	55,969,153
	<u>424,725,878</u>	<u>337,539,349</u>
Retakaful contract assets		
Retakaful share of claims reported	26,028,774	21,088,996
Retakaful share of claims incurred but not reported	22,083,890	11,646,104
Retakaful share of unearned contributions	67,038,433	61,563,219
Retakaful share of mathematical reserve	522,762	1,406,918
	<u>115,673,859</u>	<u>95,705,237</u>
Net takaful contract liabilities		
Claims reported	52,028,022	42,388,893
Claims incurred but not reported	20,615,036	13,055,200
Unearned contributions	161,102,933	127,597,091
Mathematical reserves	3,452,477	2,823,775
Fair value of policy holders investment linked contracts	71,853,551	55,969,153
	<u>309,052,019</u>	<u>241,834,112</u>
Movement in payable to policyholders of investment linked contracts		
Opening balance	55,969,153	29,315,439
Gross contribution	30,261,557	58,308,413
Allocation charges	(10,409,956)	(25,346,020)
Redemptions during the period / year	(5,762,704)	(7,275,405)
Change in fair value	1,795,501	966,726
	<u>71,853,551</u>	<u>55,969,153</u>

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 June 2017</i>			
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	59,658,061	2,801,163	-	62,459,224
Sukuk investments	12,195,490	52,190,031	7,485,240	71,870,761
Equity investments – quoted	-	45,056,263	-	45,056,263
Equity investments – unquoted	-	10,058,382	-	10,058,382
Total	71,853,551	110,105,839	7,485,240	189,444,630

	<i>31 December 2016 (Audited)</i>			
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	53,449,500	664,806	-	54,114,306
Sukuk investments	2,519,653	49,052,225	-	51,571,878
Equity investments – quoted	-	28,702,652	-	28,702,652
Equity investments – unquoted	-	-	-	-
Total	55,969,153	78,419,683	-	134,388,836

Movements during the period attributable to policyholders were as follows:

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
At beginning of the period	55,969,153	29,315,439
Purchases during the period	19,851,601	26,808,384
Disposals during the period	(5,762,704)	(1,121,396)
Change in fair value during the period	1,795,501	966,726
At end of the period	71,853,551	55,969,153

6 SHARE CAPITAL

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	150,000,000	150,000,000
	150,000,000	150,000,000

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

7 PROPOSED AND PAID DIVIDENDS

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Cash dividend for 2016 of AED 0.07 per share (declared and paid)	10,500,000	-
Cash dividend for 2015 of AED 0.053 per share (declared and paid)	-	8,000,000
	<u>10,500,000</u>	<u>8,000,000</u>
Proposed for approval at Annual General Meeting: (2016: Cash dividend of AED 0.07 per share)	-	10,500,000
	<u>-</u>	<u>10,500,000</u>

8 BORROWINGS

The borrowing of AED 23.52 million is from First Gulf Bank and is utilised to purchase Sukuks of an equivalent amount, which is pledged against the borrowing. The borrowing carries a profit rate of 1.25% above the 3 month LIBOR.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

9 NET EARNED CONTRIBUTIONS

	Three month period ended 30 June 2017			Three month period ended 30 June 2016		
	Medical AED	Life and savings AED	Total AED	Medical AED	Life and savings AED	Total AED
Gross contributions written	71,241,846	18,913,531	90,155,377	62,114,239	14,671,691	76,785,930
Change in unearned contributions	71,178,574	(1,730,151)	69,448,423	38,389,443	616,745	39,006,188
Takaful contributions earned	142,420,420	17,183,380	159,603,800	100,503,682	15,288,436	115,792,118
Retakaful contributions	27,728,286	3,588,033	31,316,319	23,158,646	1,383,051	24,541,697
Change in unearned contributions	13,557,446	(1,306,149)	12,251,297	3,326,964	442,278	3,769,242
Retakaful contributions ceded	41,285,732	2,281,884	43,567,616	26,485,610	1,825,329	28,310,939
Net earned contributions	101,134,688	14,901,496	116,036,184	74,018,072	13,463,107	87,481,179
	Six month period ended 30 June 2017			Six month period ended 30 June 2016		
	Medical AED	Life and savings AED	Total AED	Medical AED	Life and savings AED	Total AED
Gross contributions written	315,521,137	35,223,904	350,745,041	257,983,829	30,215,790	288,199,619
Change in unearned contributions	(37,516,561)	(1,464,495)	(38,981,056)	(51,452,174)	1,026,336	(50,425,838)
Takaful contributions earned	278,004,576	33,759,409	311,763,985	206,531,655	31,242,126	237,773,781
Retakaful contributions	88,869,352	5,770,013	94,639,365	67,058,314	4,178,097	71,236,411
Change in unearned contributions	(4,247,884)	(1,227,330)	(5,475,214)	(11,412,071)	745,489	(10,666,582)
Retakaful contributions ceded	84,621,468	4,542,683	89,164,151	55,646,243	4,923,586	60,569,829
Net earned contributions	193,383,108	29,216,726	222,599,834	150,885,412	26,318,540	177,203,952

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

10 CHANGE IN RESERVES

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Changes in mathematical reserve – takaful life	418,702	180,000	628,702	392,137
Change in reserve relating to takaful life products	8,955,545	5,720,840	16,252,596	10,692,772
Change in fair value-individual life policyholders	(1,100,491)	(837,708)	(1,795,501)	(158,510)
	<u>8,273,756</u>	<u>5,063,132</u>	<u>15,085,797</u>	<u>10,926,399</u>

11 WAKALAH FEES

Wakalah fees for the period ended 30 June 2017 amounted to AED 45,611,472 (30 June 2016: AED 36,458,813).

For group life and group medical policies, wakalah fees were charged up to 20% to 25% of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 50% of takaful risk contributions. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the statement of comprehensive income when incurred.

12 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Profit for the period attributable to shareholders (in AED)	253,496	2,738,151	944,668	6,045,112
Weighted average number of shares outstanding during the period	150,000,000	150,000,000	150,000,000	150,000,000
Profit per share (AED)	0.002	0.018	0.006	0.040

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

13 RELATED PARTY TRANSACTIONS AND BALANCES

	<i>Six month period ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Compensation of key management personnel:		
Short and long term benefits	3,209,105	2,808,442
Transactions with related parties during the period		
Realised gain on sale of investments at fair value through profit or loss	2,740,545	1,444,528
Gross written contribution	258,047	591,900
Gross claim incurred	134,079	175,303

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Balances with related party		
Equity Investments - quoted	<u>30,056,140</u>	<u>28,702,652</u>
Claims reported	<u>221,078</u>	<u>817,765</u>

14 SEGMENT INFORMATION

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprise investments and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the financial statements.

Except for Wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the period. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation shown below.

	<i>30 June 2017</i>					
	<i>Underwriting</i>			<i>Shareholders</i>		
	<i>Medical AED</i>	<i>Life AED</i>	<i>Total AED</i>	<i>Investments AED</i>	<i>Others AED</i>	<i>Total AED</i>
Segment revenue	278,004,576	33,759,409	311,763,985	(774,654)	58,103,626	57,328,972
Segment result	52,664,221	1,742,182	54,406,403	(774,654)	58,103,626	57,328,972
Wakala fees	(43,630,957)	(1,980,515)	(45,611,472)	-	-	-
Commission incurred	-	-	-	-	(21,500,093)	(21,500,093)
General and administrative expenses	-	-	-	-	(43,679,142)	(43,679,142)
Recovery of Qard Hassan to policyholders' fund.	-	-	-	-	8,794,931	8,794,931
Profit / (loss) attributable to policyholders / shareholders	<u>9,033,264</u>	<u>(238,333)</u>	<u>8,794,931</u>	<u>(774,654)</u>	<u>1,719,322</u>	<u>944,668</u>

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

14 SEGMENT INFORMATION (continued)

30 June 2016

	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	206,531,655	31,242,126	237,773,781	11,666,863	51,174,337	62,841,200
Segment result	28,500,530	1,306,412	29,806,942	11,666,863	51,174,337	62,841,200
Wakala fees	(34,546,178)	(1,912,635)	(36,458,813)	-	-	-
Commission incurred	-	-	-	-	(21,165,964)	(21,165,964)
General and administrative expenses	-	-	-	-	(28,978,253)	(28,978,253)
Provision for Qard Hassan to policyholders' fund.	-	-	-	-	(6,651,871)	(6,651,871)
Profit / (loss) attributable to policyholders / shareholders	(6,045,648)	(606,223)	(6,651,871)	11,666,863	(5,621,751)	6,045,112

30 June 2017

	Medical	Life	Underwriting	Shareholders'	Unallocated	Total	Total
	AED	and savings	Total	investments	Others		
Segment assets	514,757,648	103,363,320	618,120,968	145,105,839	22,362,365	167,468,204	785,589,172
Segment liabilities	475,770,275	90,869,810	566,640,085	23,520,000	63,022,286	86,542,286	653,182,371

As at 31 December 2016 (Audited)

	Medical	Life	Underwriting	Shareholders'	Unallocated	Total	Total
	AED	and savings	Total	investments	Others		
Segment assets	419,617,106	98,431,625	518,048,731	145,026,421	25,060,899	170,087,320	688,136,051
Segment liabilities	397,221,935	72,961,530	470,183,465	19,845,000	56,145,453	75,990,453	546,173,918

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 30 June 2016.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2017

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	45,056,263	-	-	45,056,263
Equity investments - unquoted	-	-	10,058,382	10,058,382
Mutual funds	-	62,459,224	-	62,459,224
Sukuk investments	71,870,761	-	-	71,870,761
Investment property	-	38,488,245	-	38,488,245
	<u>116,927,024</u>	<u>100,947,469</u>	<u>10,058,382</u>	<u>227,932,875</u>
Liabilities				
Investment linked contracts	-	71,853,551	-	71,853,551

31 December 2016 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	28,702,652	-	-	28,702,652
Equity investments - unquoted	-	-	-	-
Mutual funds	-	54,114,306	-	54,114,306
Sukuk investments	51,571,878	-	-	51,571,878
Investment property	-	38,405,816	-	38,405,816
	<u>80,274,530</u>	<u>92,520,122</u>	<u>-</u>	<u>172,794,652</u>
Liabilities				
Investment linked contracts	-	55,969,153	-	55,969,153

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017 (Unaudited)

16 POLICY HOLDERS' FUND

	<i>30 June 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Deficit in policy holders' fund		
Balance at the beginning of the period / year	(56,950,837)	(58,134,488)
Profit for the period/ year recovered	8,794,931	1,183,651
Balance at the end of the period /year	<u>(48,155,906)</u>	<u>(56,950,837)</u>
Qard Hassan from shareholders		
Balance at beginning of period / year	56,950,837	58,134,488
Deficit recovered during the period / year	(8,794,931)	(1,183,651)
Balance at the end of the period / year	<u>48,155,906</u>	<u>56,950,837</u>
Total deficit in policyholders' fund	<u><u>-</u></u>	<u><u>-</u></u>